

Message Text

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21

ACTION NEA-10

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RUQMAOOXAMEMBASSY ATHENS 274

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMCONSUL DHAHRAN

C O N F I D E N T I A L ABU DHABI 2122

E.O. 11652: N/A

TAGS : ECEN, TC

SUBJECT : INDUSTRIAL PORT OF DUBAI--CONTRACTS SIGNED

1. BEGIN UNCLASSIFIED: CONTRACT SIGNING FOR THE CONSTRUCTION OF JEBAL ALI INDUSTRIAL PORT TOOK PLACE ON AUGUST 2. SHEIKH RASHID, RULER OF DUBAI, SHEIKH HAMDAN, FINANCE MINISTER, SHEIKH MAKTOOM, THE PRIME MINISTER, SIGNED FOUR CONTRACTS:

A. FOR THE MAIN CIVIL WORKS: 'DUTCO' A JOINT VENTURE OF BALFOUR BEATTY (BRITISH) AND A LOCAL FIRM, DUBAI TRANSPORTATION COMPANY.

B. FOR DREDGINGS: DUBAI TRANSPORTATION COMPANY AND COSTAIN. WE ARE ALSO TOLD THAT A DUTCH FIRM, 'COBRA'

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WILL PARTICIPATE IN THE DREDGING.

C. FOR ALL STEELS USED IN THE PORT: - A JOINT VENTURE OF TWO JAPANESE FIRMS, OKURA AND COMPANY LTD. AND NIPPON KOKAN K.K. OKURA IS A TRADING COMPANY.

D. FOR ROCK: WIMPEY-AL FUTTAIM (BRITISH-LOCAL PARTNERSHIP).
TOTAL VALUE OF PROJECT HAS BEEN PUT AT 3 BILLION DIRHAMS (\$750 MILLION).

2. THE INDUSTRIAL PORT WILL HAVE SEVENTY-FOUR BERTHS, WITH A TOTAL OF FIFTEEN KILOMETERS OF QUAYS. THERE WILL BE:

- 15 BULK CARRIER BERTHS
- 15 TRANSshipment BERTHS
- 14 GENERAL CARGO BERTHS
- 5 CONTAINER BERTHS
- 25 FREE ZONE BERTHS

74 BERTHS

IN ADDITION, THERE WILL BE TWO SLIPWAYS BUILT FOR TEN THOUSAND TONS CAPACITY. IT IS UNCLEAR WHETHER EACH SLIPWAY IS TO BE OF TEN THOUSAND TONS CAPACITY OR THE CITED CAPACITY IS FOR BOTH. THE TOTAL LENGTH OF THE APPROACH TO THE HARBOR IS SEVENTEEN KILOMETERS AND AND ITS WIDTH WILL BE THREE HUNDRED METERS. - AT ITS ENTRANCE, THE DEPTH WILL BE FIFTEEN METERS.

3. RE TIMING 5 BERTHS ARE TO BE READY BY END 1977 WITH REMAINDER TO BE COMPLETED BY 1980. IN SHORT, IN FOUR YEARS, WITH EXISTING PORT OF DUBAI--CURRENTLY BEING EXPANDED FROM 15 TO 37 BERTHS AT ESTIMATED COST OF 240 MILLION DOLLARS--THERE WILL BE 111 BERTHS OF VARIOUS TYPES AVAILABLE IN DUBAI. NOT TO MENTION THE DRY DOCK COMPLEX*

4. SHEIKH RASHID ALSO ANNOUNCED THE CONSTRUCTION OF A NEW INTERNATIONAL AIRPORT COMPLEX WITHIN 5 KM OF JEBEL ALI HARBOR. REPORTEDLY THE NEW AIRPORT WILL HAVE A CONFIDENTIAL

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RUNWAY CAPABLE OF ACCOMODATING "JUMBO JETS" AND A FREE TRADE ZONE. THE PRESENT DUBAI INTERNATIONAL AIRPORT WHICH IS CLOSE TO CITY WILL BE EXPANDED ALSO. NO DETAILS AVAILABLE YET ON THIS LAST EXPANSION. END UNCLASSIFIED.

5. BEGIN CONFIDENTIAL. COMMENTS: MANNER IN WHICH CONTRACTS WERE HANDLED WAS TYPICAL OF CLOSE-TO-

VEST APPROACH ALWAYS FOLLOWED BY SHEIKH RASHID. REPORTEDLY RASHID INSISTED THAT ALL INFORMATION ON PROJECT BE CLOSELY HELD UNTIL HE READY MAKE ANNOUNCEMENT. EVEN AT TIME OF SIGNING, DUBAI OFFICIALS REFUSED TO REVEAL DETAILS TO EMBOFF WHO HAD BEEN FORMALLY INVITED TO CEREMONY SAYING ONLY THAT ALL WOULD BE REVEALED IN PRESS RELEASE.

6. WITH REGARD TO LACK OF TENDERING FOR CONTRACTS, JUMA AL MAJED AL GHURAIR, SCION OF LOCALLY PROMINENT MERCHANT CLAN, TOLD EMBOFF AT GROUND BREAKING CEREMONY AUGUST 2 THAT SHEIKH RASHID HAD DECIDED TO LET CONTRACT FOR THE JEBAL ALI INDUSTRIAL PORT BY NEGOTIATION RATHER THAN BY TENDER BECAUSE NEGOTIATION LE "FASTER" PROCESS AND BECAUSE ONE "PROBABLY GETS AS GOOD A PRICE AS NEGOTIATION AS BY TENDER". HOWEVER, GHURAIR AFFIRMED THAT THERE HAD BEEN "SOME OPPOSITION" TO LETTING THE PORT CONTRACTS GO WITHOUT ASKING FOR BIDS.

7. AS FURTHER SIDE LIGHT, WHILE SIGNING WAS ONE AUGUST 2, DECISIONS IN FACT APPARENTLY TAKEN SOME TIME EARLIER. TAKASHI MURAI, MANAGER OF THE EXPORT DEPARTMENT OF NIPPON KOKAK K.K., SAID THAT PLANS FOR THE JEBAL ALI PROJECT HAD BEEN "MORE OR LESS COMPLETED THREE MONTHS AGO" AND THAT WORK STARTED "THREE TO FOUR WEEKS AGO". THE WORK VISIBLE TO DATE MAKES MURAI'S ASSERTION CREDIBLE.

8. AS FAR AS WE AWARE, NO AMERICAN FIRMS WERE APPROACHED BY RASHID OR HIS AGENTS ON THESE PROJECTS, AND CERTAINLY NO ATTEMPT WAS MADE TO SEEK ASSISTANCE OF US EMBASSY IN IDENTIFYING US FIRMS THAT MIGHT BE CONFIDENTIAL

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INTERESTED. THIS IS DISCOURAGING NEWS TO REPORT, BECAUSE WE HAVE SPENT MANY HOURS TRYING TO PERSUADE SHEIKH RASHID AND HIS BUSINESS ASSOCIATES (NOT TO MENTION HAVING OPENED COMMERCIAL BRANCH IN HIS CITY) TO ALLOW US FIRMS TO COMPETE FOR MAJOR INFRASTRUCTURE PROJECTS IN DUBAI. FACT HE DID NOT DO SO IS REFLECTION THAT RASHID STILL PREFERS TO DO BUSINESS ON BASIS FOR NEGOTIATING WITH TIGHT GROUP OF PRIMARILY BRITISH FIRMS IN WHICH HE AND MAHDI TAJER HAVE CONFIDENCE, BUT IT IS ALSO, WE BELIEVE REFLECTION OF HIS DISAPPOINTMENT OVER TOTAL LACK OF RESPONSE HE GOT FROM US FIRMS ON THE ONE OCCASION WHEN HE OFFERED TO HAND US MAJOR PROJECT (EXPANSION OF DUBAI PORT) ON SILVER PLATTER. NOW OF COURSE WE HAVE VICIOUS CIRCLE TO CONTEND WITH: US CONTRACTORS WILL CONCLUDE FROM THIS LATEST EX-

PERIENCE THAT IT IS NOT WORTH THEIR WHILE EVEN TO INVESTIGATE PROJECTS IN DUBAI; SHEIKH RASHID WILL FIND THIS LACK OF INTEREST ON PART OF US FIRMS CONFIRMATION OF HIS BELIEF THEY NOT REALLY PREPARED TO MAKE EFFORT TO GET WORK IN DUBAI; AND BRITISH WILL BE SMILING ALL THE WAY. OUR BEST PROSPECT NOW APPEARS TO BE TO TRY TO GET SOME US FIRMS IN ON MAJOR SUB-CONTRACTS THAT WE ARE TOLD HAVE YET TO BE PINNED DOWN ON THIS HUGE DEVELOPMENT PLAN. ONCE A FIRM--WHATEVER AMERICAN OR BRITISH--PERFORMS A CONTRACT SUCCESSFULLY IN DUBAI, THERE IS VERY GOOD PROSPECT THAT IT WILL BE FAVORED FOR BIGGER JOBS IN FUTURE.

9. WITH RESPECT TO MAGNITUDE OF PROJECT ITSELF, WE MAKE FOLLOWING COMMENT WITH SOME HESITATION BECAUSE RASHID HAS SO OFTEN IN PAST PROVEN EVEN HIS OWN EXPERTS WRONG. WE ARE TOLD CONSULTANTS (SIR WILLIAM HALCROW) WERE ASKED TO PRODUCE VARIOUS "MODELS" OF JEBAL ALI PROJECT RANGING FROM MODEST TO GRANDIOSE. SHEIKH RASHID THEN PONDERED THESE FOR SEVERAL MONTHS. HE HAS NOW OPTED FOR WHAT ONE MUST ASSUME IS ONE OF LARGEST SCHEMES, IN EFFECT A "GO FOR BROKE" DECISION TO MAKE DUBAI THE PREEMINENT INDUSTRIAL AREA IN THE EMIRATES FOR REEXPORT AS WELL AS DOMESTIC CONSUMPTION, THEREBY PUTTING IN THE SHADE SUCH INCIPIENT COMPETITORS AS SHARJAH, AND THE JABAL DHANNA PROJECT
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IN ABU DHABI. THIS IS OBVIOUSLY A BOLD MOVE BY RASHID, BUT SIZE OF PORT AS WE UNDERSTAND IT FROM THESE INITIAL REPORTS IS ENORMOUS, AND WE WONDER IF HE HAS NOT FINALLY OVER-EXTENDED HIMSELF. PORT PROJECTS ALREADY UNDERWAY IN OTHER EMIRATES ARE AMBITIOUS AND THEY WILL BE COMPLETED IN ANY EVENT GIVING UAE WHAT APPEARS TO US TO BE CERTAIN OVER-CAPACITY IN PORTS IN EARLY EIGHTIES. AND FROM POINT OF VIEW OF ATTRACTING INDUSTRY TO JUSTIFY THIS PORT (INCLUDING 25 - BERTH FREE ZONE PORT), IT IS DIFFICULT TO SEE HOW DUBAI OVER LONG TERM CAN COMPETE WITH CHEAP ENERGY THAT WILL BE AVAILABLE AT JABAL DHANNA IN FORM OF ABU DHABI' ENORMOUS GAS RESERVES, NOT TO MENTION INDUSTRIAL PROJECTS IN OTHER GULF COUNTRIES WHICH MAY ALSO HAVE ADVANTAGES OF CHEAPER ENERGY. RASHID CHARACTERISTICALLY WILL NO DOUBT GET HIS PROJECT FINISHED LONG BEFORE SERIOUS COMPETITION EMARGES ELSEWHERE WITHIN UAE, BUT WE WONDER WHETHER THIS ALONE WILL GIVE HIM LONG-TERM COMPETITIVE EDGE HE IS BANKING ON.
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